

AMENDED IN ASSEMBLY MAY 20, 1999
AMENDED IN ASSEMBLY APRIL 29, 1999

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

ASSEMBLY BILL

No. 429

Introduced by Assembly Member Correa

February 12, 1999

An act to add Section 22404 to the Education Code, relating to the State Teachers' Retirement System.

LEGISLATIVE COUNSEL'S DIGEST

AB 429, as amended, Correa. State Teachers' Retirement System: gain-sharing revenue.

Under the Teachers' Retirement Law, interest earned on assets of the retirement fund that is not credited to accounts maintained pursuant to the Defined Benefit Program, as defined, and other income with respect to the program, is allocated to provide benefits under the program. Existing law requires that an actuarial valuation of the assets and liabilities of the State Teachers' Retirement Plan be performed at least once every 6 years ~~and that the Teachers' Retirement Board report annually to the Legislature and Director of Finance regarding the return on investments of the system.~~

This bill would provide that gain-sharing revenue, defined as the annual *actuarial value of investment return* ~~return~~ *returns*, interest, and other income with respect to the Defined Benefit Program that exceeds the expected return for that period provided in the most recent actuarial valuation of

assets, shall be allocated first to eliminate unfunded accrued actuarial liabilities, as specified; then to *specified* reserves; and then to provide increased benefits or credits against contributions for active and retired members pursuant to future legislation, as specified.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 22404 is added to the Education
2 Code, to read:

3 22404. (a) As used in this section:

4 (1) “Expected earnings” means the aggregate amount
5 of the return on investments, interest, and other earnings
6 with respect to the Defined Benefit Program that would
7 have been received by the retirement fund during any
8 fiscal year if the fund’s assets had increased by the
9 actuarially assumed interest rate used in the most recent
10 actuarial valuation of the assets and liabilities of the plan
11 performed pursuant to Section 22311.

12 (2) “Gain-sharing revenue” means the amount by
13 which the ~~actual~~ *actuarial value of the* return on
14 investments, interest, and other earnings with respect to
15 the Defined Benefit Program received by the retirement
16 fund for any fiscal ~~year, as reported to the Director of~~
17 ~~Finance pursuant to Section 22218.5~~ *year, as reported by*
18 *the actuary*, exceeds the expected earnings for the same
19 period.

20 (b) Notwithstanding any other provision of law, the
21 board shall allocate gain-sharing revenue as follows in the
22 following order of priority:

23 (1) The amount necessary to eliminate any unfunded
24 actuarial accrued liability associated with benefits in
25 effect on or before July 1, ~~1980~~ *1990*, shall be allocated to
26 the appropriate accounts.

27 (2) An amount determined by the board, based on a
28 recommendation from the actuary, that adequately
29 protects the fund in the event future earnings fall below

1 expected earnings shall be allocated to reserves under
2 this part.

3 (3) *An amount determined by the board, based on a*
4 *recommendation from the actuary, that would provide*
5 *additional revenue for allocation pursuant to paragraph*
6 *(4) in fiscal years in which no additional gain-sharing*
7 *revenue is generated.*

8 (4) Any remaining gain-sharing revenue shall be
9 allocated to active member funds and retired member
10 funds in the Defined Benefit Program to provide
11 improvements in benefits or credits for contributions, or
12 both, pursuant to any subsequently enacted legislation
13 that expressly refers to this section or otherwise specifies
14 that gain-sharing revenue shall be the source of funding
15 for those benefits or contributions. For purposes of this
16 paragraph, gain-sharing revenues shall be allocated
17 proportionately to active member funds and to retired
18 member funds based on the percentage of the actuarial
19 accrued liability of the retirement fund with respect to
20 the Defined Benefit Program that is attributable (A) to
21 actuarial liabilities for future benefits payable to
22 currently active and inactive members, or (B) to
23 actuarial liabilities for benefits payable to currently
24 retired members and their beneficiaries, respectively.

